

United States Senate

COMMITTEE ON THE JUDICIARY

WASHINGTON, DC 20510-6275

September 9, 2008

Lowell McAdam
President and CEO
Verizon Wireless
1 Verizon Way
Basking Ridge, NJ 07920

Randall Stephenson
Chief Executive Officer
AT&T
208 South Akard
Dallas, TX 75202

Dan Hesse
Chief Executive Officer
Sprint
6391 Sprint Parkway
Overland Park, KS 66251

Robert Dotson
President and Chief Executive Officer
T-Mobile
12920 Southeast 30th Street
Bellevue, WA 98006

Dear Messrs. McAdam, Stephenson, Hesse and Dotson:

I am writing to express my concern regarding what appear to be sharply rising rates your companies have charged to wireless phone customers for text messaging. Some industry experts contend that these increased rates do not appear to be justified by any increases in the costs associated with text messaging services, but may instead be a reflection of a decrease in competition, and an increase in market power, among your four companies.

Your four companies are the nation's leading wireless telephone companies, collectively serving more than 90% of the nation's wireless subscribers. Since 2005, the cost for a consumer to send or receive a text message over each of your services has increased by 100%. Text messages were commonly priced at 10 cents per message sent or received in 2005. As of the end of the month, the rate per text message will have increased to 20 cents on all four wireless carriers. Sprint was the first carrier to increase the text message rate to 20 cents last Fall, and now all of its three main competitors have matched this price increase.

What is particularly alarming about this industry-wide rate increase is that it does not appear to be justified by rising costs in delivering text messages. Text messaging files are very small, as the size of text messages are generally limited to 160 characters per message, and therefore cost carriers very little to transmit. Text messaging files are a fraction of the size of e-mails or music downloads. Also of concern is that it appears that each of companies has changed the price for text messaging at nearly the same time, with identical price increases. This conduct is hardly consistent with the vigorous price competition we hope to see in a competitive marketplace.

What has changed in recent years is the level of consolidation in the wireless telephone industry. The number of major national competitors has declined from six to four. And the large national wireless carriers continue to acquire their smaller, regional competitors, with the announced acquisition of Alltel by Verizon Wireless being just the latest example. As Chairman of the Antitrust Subcommittee, I am concerned with whether this consolidation, and increased market power by the major carriers, has contributed to this doubling of text messaging rates over the last three years.

Therefore, I specifically ask each of your companies to explain why text messaging rates have dramatically increased in recent years. Please explain the cost, technical, or any other factors that justify a 100% increase in the cost of text messaging from 2005 to 2008. Please also provide data on the utilization of text messaging during this time period. Please provide a comparison of prices charged for text messaging as compared to other services offered by your companies, such as prices per minute for voice calling, prices for sending e-mails, and prices charged for data services such as internet access over wireless devices, from 2005 to the present. Finally, please state whether your text messaging pricing structure differs in any significant respect from the pricing of your three main competitors. Please provide this information no later than Monday, October 6, 2008.

If you have any questions regarding this request, please contact Jeff Miller or Seth Bloom of my Antitrust Subcommittee staff at (202) 224-3406. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink that reads "Herb Kohl". The signature is written in a cursive, slightly slanted style. The first name "Herb" is written with a large, looped "H", and the last name "Kohl" is written with a large, looped "K".

HERB KOHL

Chairman, Subcommittee on
Antitrust, Competition Policy, and
Consumer Rights